

Please note that the following rule is the version that was approved by the NCUA Board. The official version is published in the Federal Register approximately one week after Board approval. There may be some minor numbering or format differences between the two versions.
7535-01-U

NATIONAL CREDIT UNION ADMINISTRATION

12 CFR part 745

Share Insurance and Appendix

AGENCY: National Credit Union Administration (NCUA).

ACTION: Final Rule.

SUMMARY: The NCUA is issuing a final rule amending its share insurance rules. The amendments simplify and clarify these rules and provide parity between them and the Federal Deposit Insurance Corporation's (FDIC) deposit insurance rules. Specifically, the amendments: increase available share insurance coverage on some revocable trust accounts; simplify the method for determining the insurance coverage a member has in one or more joint accounts;

treat a revocable trust account held in connection with a living trust as any other revocable trust accounts, if the living trust meets all requirements pertaining to revocable trusts; provide separate insurance coverage for qualifying joint revocable trust accounts; treat Roth IRAs as traditional IRAs and Education IRAs as irrevocable trusts for insurance purposes; liberalize insurance coverage for some kinds of public unit accounts; clarify the degree of control state or local law has on share insurance determinations and revise the substance and format of the Appendix to part 745.

DATES: This rule is effective July 3, 2000.

ADDRESS: National Credit Union Administration, 1775 Duke Street, Alexandria, VA 22314-3428.

FOR FURTHER INFORMATION CONTACT: Frank S. Kressman, Staff Attorney, Division of Operations, Office of General Counsel, at the above address, or telephone: (703) 518-6540.

SUPPLEMENTARY INFORMATION:

A. Background

In accordance with NCUA's regulatory review process, at year end 1998, NCUA staff identified part 745 as one of its regulations in need of updating, clarification and simplification. On April 15, 1999, the NCUA Board issued an interim final rule adopting changes to its share insurance rules regarding joint accounts and revocable trust accounts. 64 FR 19685 (April 22, 1999). The FDIC adopted similar changes to its deposit insurance rules on March 23, 1999. 64 FR 15653 (April 1, 1999). When issuing the interim rule, NCUA was aware that additional changes to part 745 were necessary and would be forthcoming, but believed it was important to implement the interim rule at that time to maintain parity between NCUA's and FDIC's insurance programs. Subsequently, NCUA conducted a more comprehensive review of part 745. NCUA issued a proposed rule on November 18, 1999 that suggested additional amendments as discussed below. 64 FR 66812 (November 30, 1999).

The interim and proposed rules solicited comments from the public. Those comments have been given careful consideration and are reflected in the final amendments to the interim and proposed rules discussed below.

1. Interim Rule

The interim rule amended the share insurance rules pertaining to revocable trust accounts and joint accounts. Revocable trust accounts are accounts that

evidence an intention on the part of the owner to pass funds onto one or more beneficiaries upon the owner's death. They include payable-on-death accounts, and tentative or "Totten" trust accounts. Prior to the interim rule, these accounts were insured separately from other accounts of the owner only if the beneficiary was the owner's spouse, child or grandchild. If there were multiple beneficiaries, and each beneficiary was either a spouse, child or grandchild of the owner, then the account would have been insured up to \$100,000 for each beneficiary. For example, if an account was held by a husband "in trust for" his wife and three children, then the account would have been insured for up to \$400,000. That coverage was separate from any insurance the husband, wife or children may have had on their own accounts. For these accounts, insurance was provided on a per beneficiary basis for the spouse, child or grandchild. If, however, prior to the interim rule, a credit union member named a parent or sibling as a beneficiary, a common practice particularly for single individuals, then the account would have been added to the individual account of the owner and insured up to \$100,000. There was no separate coverage for those beneficiaries even though there was a close familial relationship.

The interim rule added parents and siblings to the list of family members who qualify as beneficiaries for separate coverage. The interim rule also clarified that

the degree of kinship for named beneficiaries includes relationships through blood, adoption or by virtue of remarriage.

Prior to the interim rule, NCUA's joint account regulation did not expressly refer to a two-step process in determining insurance coverage for those accounts, as did the FDIC's rule. Insurance coverage was determined, however, by applying two regulatory subsections where an individual had several joint accounts, some with different joint owners. First, under §745.8(d), joint accounts with the same combination of owners were added together and insured up to \$100,000. Even though there was more than one account, if the owners were the same, the accounts were treated as one. Then, under §745.8(e), a person's interest in all joint accounts he or she owned with different combinations of owners was added together and insured up to \$100,000. Thus, NCUA followed the same type of two-step process used by the FDIC.

The application of this process resulted in certain inequities. If a person had ownership interests in several different joint accounts, each with a different combination of joint owners, his or her interest in each of those accounts would have been added together and insured to \$100,000. The same would have been done for each of the other joint owners as well. If instead, that person had had one or more joint accounts with the same combination of joint owners, the

maximum insurance available to all of those joint owners combined would have been limited to \$100,000. Thus, in one instance, each joint owner's interest could have been insured up to \$100,000, while in the other, total coverage on the account was limited to \$100,000, notwithstanding the amount of each of the joint owner's interest.

The interim rule simplified coverage on joint accounts. It is no longer necessary to add together all joint accounts owned by the same combination of individuals. Under the interim rule, each person's interest in all qualifying joint accounts will be added together and insured to a maximum of \$100,000. The interim rule also eliminated the signature requirement for share certificates and accounts maintained by certain fiduciaries for joint owners as long as the credit union's records reflect that there are joint owners.

2. Proposed Rule

The proposed rule suggested amendments to the share insurance rules regarding living trusts, joint revocable trusts, IRA accounts, public unit accounts, guardian accounts, the application of local law to share insurance determinations and the substance and format of the Appendix to part 745.

A living trust is a formal trust that an owner creates and retains control over during his or her lifetime. NCUA proposed to treat a revocable trust account that is held in connection with a living trust in the same manner it treats all other revocable trust accounts, if the living trust otherwise meets all requirements pertaining to revocable trust accounts. Living trusts that include conditions that could prevent a beneficiary from acquiring a vested and non-contingent interest in the account funds upon the owner's death, however, would not qualify for this coverage.

Joint revocable trust accounts are revocable trust accounts, as described in §745.4 of NCUA's regulations, established by more than one owner and held for the benefit of others. NCUA proposed to provide separate insurance coverage for qualifying accounts of this kind.

NCUA also proposed to clarify the degree of control that state or local law has on share insurance determinations to maintain uniform national rules and consistent insurance determinations. When the proposed rule was issued, §745.2(a) provided that, to the extent local law enters into a share insurance determination, the law of the jurisdiction in which the insured credit union's principal office is located will govern. The proposal indicated that this meant the law of the jurisdiction in which the insured credit union's principal office is located will

control over the law of other jurisdictions where the insured credit union may have branch offices or service facilities. It further clarified that this provision in no way effects the supremacy of federal law.

NCUA proposed to include Roth IRAs and Education IRAs among member accounts eligible for share insurance. Federal tax laws first made these accounts available to consumers on January 1, 1998. The proposal also stated that although both are colloquially known as IRA accounts, only Roth IRAs would be treated as traditional IRAs, for share insurance purposes, under §745.9-2 of NCUA's regulations. Education IRAs would be treated as irrevocable trust accounts, for share insurance purposes, under §745.9-1 of NCUA's regulations.

NCUA proposed to liberalize its share insurance coverage for some kinds of public unit accounts. At the time the proposal was issued, public funds were generally separately insured up to \$100,000 if invested by an official custodian of funds of: 1) the United States; 2) any state of the United States or any county, municipality, or political subdivision thereof; 3) the District of Columbia; 4) specified territories or possessions of the United States; and 5) tribal funds of any Indian tribe. NCUA proposed to distinguish share draft accounts from share certificate and regular share accounts in this context. The result would be to provide separate insurance coverage up to \$100,000 for share draft accounts,

and up to an additional \$100,000 for share certificate and regular share accounts combined. This more liberal coverage would only be available where an official custodian establishes public unit accounts in an authorized, federally-insured credit union that is located within the jurisdiction from which the custodian's authority is derived. Accounts established outside of that jurisdiction would be limited to the current \$100,000 limit without regard to whether the funds are held in share draft accounts or share certificate and regular share accounts.

Funds held in the name of a guardian, custodian or conservator for the benefit of a ward or minor are insured up to \$100,000 in the aggregate, separately from any other accounts of the guardian, custodian, conservator, ward or minor.

FDIC, however, treats these accounts as agency or nominee accounts and does not provide separate insurance coverage. Rather, FDIC adds the guardian account together with the individual accounts of the beneficiary of the guardian account and insures that aggregate up to \$100,000. NCUA proposed to treat these accounts in a manner consistent with FDIC's treatment. This would have resulted in a reduction in insurance coverage.

The Appendix to part 745 provides examples that illustrate the application of share insurance coverage. The Appendix is not expected to answer every share insurance question that could conceivably be asked. Rather, its function is to

address and clarify the most common insurance coverage issues in a simple and manageable format. NCUA proposed to enhance the usefulness of the Appendix by incorporating additional information and examples and putting it into an easy to read question-and-answer format.

B. Summary of Comments

1. Interim Rule

NCUA received twelve comment letters regarding the interim rule. Four from credit union trade associations, three from federal credit unions, two from banking trade associations, one from a state chartered credit union, one from an association of state credit union supervisors and one from a law firm. All of the commenters generally supported the interim rule. The commenters also raised other points.

Eight commenters offered their opinions whether examples illustrating insurance coverage should be moved to the body of the regulations or kept in their present location in the Appendix to the regulations. There was an even split of opinion among the commenters. The examples will remain in the Appendix where they are easily accessible and cannot be confused as part of the regulatory language.

Three commenters expressed concern over NCUA's use of the term "revocable trust account." They noted that there are many different terms used to describe this kind of account and that this might cause confusion among some credit unions. NCUA believes the language used in §745.4 of NCUA's rules will minimize any confusion in this context. Additionally, "revocable trust account" is the term used in the FDIC's deposit insurance rules and its use in NCUA's rules should avoid confusion for the public when comparing coverage.

Several general comments pertaining to livings trusts and joint revocable trusts were also received in connection with the interim rule. Those comments have been considered in conjunction with the comments to the proposed rule as discussed below.

2. Proposed Rule

NCUA received seventeen comment letters regarding the proposed rule. Eight from credit union trade associations, seven from federal credit unions, one from an association of state credit union supervisors and one from a banking trade association. All of the commenters generally supported the proposed rule. The commenters also raised other points.

Three commenters expressed concern over the proposal to exclude from revocable trust insurance coverage any living trust that includes conditions that could prevent a beneficiary from acquiring a vested and non-contingent interest in the account funds upon the owner's death. Specifically, they noted that credit unions might have difficulty determining whether a living trust contains such a defeating contingency. NCUA does not intend for credit unions to make this kind of determination. The burden is on the member to create a living trust that qualifies for insurance coverage. Credit unions may choose to advise members to have their living trusts reviewed by private counsel for legal and regulatory sufficiency prior to account opening.

Two commenters asked NCUA to clarify how a one-owner living trust account or other revocable trust account would be insured if there were qualifying and non-qualifying beneficiaries. Assuming the living trust is treated as any other revocable trust account and eligible for coverage, shares in the account attributable to the qualifying beneficiaries would be insured up to \$100,000 for each qualifying beneficiary. Shares in the account attributable to the non-qualifying beneficiaries would be added to any individual accounts of the owner and insured up to \$100,000.

Two commenters questioned whether the Education IRA should be insured as an irrevocable trust because, under some circumstances, the beneficiary of an Education IRA could be changed to a member of the designated beneficiary's family. The structure and exclusive purpose of Education IRAs, and the restrictions imposed on them by the Internal Revenue Service, demonstrate that these trusts are irrevocable in nature. We do not believe a limited ability to change beneficiaries diminishes the irrevocable nature of these trusts or warrants treating them as anything other than irrevocable. The FDIC also insures Education IRAs as irrevocable trusts.

Nine commenters strongly opposed the proposal to eliminate separate insurance coverage for guardian accounts. They contended that separate insurance for guardian accounts poses no threat to the National Credit Union Share Insurance Fund and that eliminating separate coverage would create more confusion and problems for credit union members than achieve good. They also noted that, while parity between NCUA's and FDIC's insurance is generally desirable, the two programs need not be identical especially to the detriment of credit union members. We find these arguments persuasive. Accordingly, NCUA has determined not to take action to eliminate the existing separate coverage for custodial accounts at this time.

C. Regulatory Procedures

Regulatory Flexibility Act

The Regulatory Flexibility Act requires NCUA to prepare an analysis to describe any significant economic impact any final regulation may have on a substantial number of small entities. For purposes of this analysis, credit unions under \$1 million in assets will be considered small entities. As of June 30, 1999, there were 1,690 such entities with a total of \$807.3 million in assets, with an average asset size of \$0.5 million. These small entities make up 15.6 percent of all credit unions, but only 0.2 percent of all credit union assets.

The NCUA Board has determined and certifies that this final rule will not have a significant economic impact on a substantial number of small entities. The reason for this determination is that the final rule clarifies and simplifies the share insurance regulations. It does not impose any additional costs or significant regulatory requirements on small entities. Accordingly, the NCUA has determined that a Regulatory Flexibility Analysis is not required.

Paperwork Reduction Act

NCUA has determined that the final amendments do not increase paperwork requirements under the Paperwork Reduction Act of 1995 and regulations of the Office of Management and Budget.

Executive Order 13132

Executive Order 13132 encourages independent regulatory agencies to consider the impact of their regulatory actions on state and local interests. In adherence to fundamental federalism principles, NCUA, an independent regulatory agency as defined in 44 U.S.C. 3502(5), voluntarily complies with the executive order.

This rule will apply to all federally-insured credit unions, but it will not have substantial direct effect on the states, on the relationship between the national government and the states, or on the distribution of power and responsibilities among the various levels of government. NCUA has determined that this rule does not constitute a policy that has federalism implications for purposes of the executive order.

Assessment of Federal Regulations and Policies on Families

NCUA has determined that this rule will not affect family well-being within the meaning of Section 654 of the Treasury and General Government Appropriations Act, 1999, Pub. L. 105-277, 112 Stat. 2681 (1998).

Small Business Regulatory Enforcement Fairness Act

The Small Business Regulatory Enforcement Fairness Act of 1996 (Pub. L. 104-121) provides generally for congressional review of agency rules. A reporting

requirement is triggered in instances where NCUA issues a final rule as defined by Section 551 of the Administrative Procedure Act. 5 U.S.C. 551. The Office of Management and Budget has determined that this rule is not a major rule for purposes of the Small Business Regulatory Enforcement Fairness Act of 1996.

List of Subjects

12 CFR part 745

Credit unions, Pension plans, Share insurance, Trustee.

By the National Credit Union Administration Board, this 24th day of May 2000.

Becky Baker

Secretary of the Board

For the reasons stated above, the interim final rule amending 12 CFR part 745 that was published at 64 FR 19685 on April 22, 1999 is adopted as a final rule without change. NCUA also amends 12 CFR part 745 as follows:

PART 745 — SHARE INSURANCE AND APPENDIX

1. The authority citation for part 745 continues to read as follows:

Authority: 12 U.S.C. 1752(5), 1757, 1765, 1766, 1781, 1782, 1787, 1789.

2. Section 745.2(a) is amended by revising the last sentence to read as follows:

§ 745.2 General Principles Applicable in Determining Insurance of Accounts.

(a)* * * While the provisions of this part govern in determining share insurance coverage, to the extent local law enters into a share insurance determination, the local law of the jurisdiction in which the insured credit union's principal office is located will control over the local law of other jurisdictions where the insured credit union has offices or service facilities.

* * * * *

3. Section 745.4 is amended by adding paragraphs (e) and (f) to read as follows:

§ 745.4 Revocable Trust Accounts.

* * * * *

(e) Living trusts. Insurance treatment under this section also applies to revocable trust accounts held in connection with a so-called "living trust," meaning a formal trust that an owner creates and retains control over during his or her lifetime. If a named beneficiary in a living trust is a qualifying beneficiary under this section, then the share account held in connection with the living trust may be eligible for share insurance under this section, assuming compliance with all the provisions of this part. If the living trust includes a defeating contingency that relates to a beneficiary's interest in the trust assets, then insurance coverage under this section will not be provided. For purposes of this section, a defeating contingency is defined as a condition that would prevent the beneficiary from acquiring a vested and non-contingent interest in the funds in the share account upon the owner's death.

(f) Joint revocable trust accounts. Where an account described in paragraph (a) of this section is established by more than one owner and held for the benefit of others, some or all of whom are within the qualifying degree of kinship, the

respective interests of each owner held for the benefit of each qualifying beneficiary will be separately insured up to \$100,000. The interest of each co-owner will be deemed equal unless otherwise stated in the share account records of the federally-insured credit union. Interests held for non-qualifying beneficiaries will be added to the individual accounts of the owners. Where a husband and a wife establish a revocable trust account naming themselves as the sole beneficiaries, the account will not be insured according to the provisions of this section, but will instead be insured in accordance with the joint account provisions of §745.8.

4. Section 745.9-1 is amended by adding paragraph (c) to read as follows:

§ 745.9-1 Trust Accounts.

* * * * *

(c) This section applies to trust interests created in Education IRAs established in connection with section 530 of the Internal Revenue Code (26 U.S.C. 530).

5. Section 745.9-2(a) is revised to read as follows:

§ 745.9-2 IRA/Keogh Accounts.

(a) The present vested ascertainable interest of a participant or designated beneficiary in a trust or custodial account maintained pursuant to a pension or profit-sharing plan described under section 401(d) (Keogh account), section 408(a) (IRA) and section 408A (Roth IRA) of the Internal Revenue Code (26 U.S.C. 401(d), 408(a) and 408A) will be insured up to \$100,000 separately from other accounts of the participant or designated beneficiary. For insurance purposes, IRA and Roth IRA accounts will be combined together and insured in the aggregate up to \$100,000. A Keogh account will be separately insured from an IRA account, Roth IRA account or, where applicable, aggregated IRA and Roth IRA accounts.

* * * * *

6. Section 745.10 is amended by revising paragraphs (a)(1) through (a)(5) and (b) and adding a second sentence to paragraph (c) to read as follows:

§ 745.10 Public Unit Accounts.

(a) * * *

(1) Each official custodian of funds of the United States lawfully investing the same in a federally-insured credit union will be separately insured in the amount of:

(i) up to \$100,000 in the aggregate for all share draft accounts; and

(ii) up to \$100,000 in the aggregate for all share certificate and regular share accounts;

(2) Each official custodian of funds of any state of the United States or any county, municipality, or political subdivision thereof lawfully investing the same in a federally-insured credit union in the same state will be separately insured in the amount of:

(i) up to \$100,000 in the aggregate for all share draft accounts; and

(ii) up to \$100,000 in the aggregate for all share certificate and regular share accounts;

(3) Each official custodian of funds of the District of Columbia lawfully investing the same in a federally-insured credit union in the District of Columbia will be separately insured in the amount of:

(i) up to \$100,000 in the aggregate for all share draft accounts; and

(ii) up to \$100,000 in the aggregate for all share certificate and regular share accounts;

(4) Each official custodian of funds of the Commonwealth of Puerto Rico, the Panama Canal Zone, or any territory or possession of the United States, or any county, municipality, or political subdivision thereof lawfully investing the same in a federally-insured credit union in Puerto Rico, the Panama Canal Zone, or any such territory or possession, respectively, will be separately insured in the amount of:

(i) up to \$100,000 in the aggregate for all share draft accounts; and

(ii) up to \$100,000 in the aggregate for all share certificate and regular share accounts;

(5) Each official custodian of tribal funds of any Indian tribe (as defined in Section 3(c) of the Indian Financing Act of 1974) or agency thereof lawfully investing the same in a federally-insured credit union will be separately insured in the amount of:

(i) up to \$100,000 in the aggregate for all share draft accounts; and

(ii) up to \$100,000 in the aggregate for all share certificate and regular share accounts;

(b) Each official custodian referred to in paragraphs (a)(2), (3), and (4) of this section lawfully investing such funds in share accounts in a federally-insured credit union outside of their respective jurisdictions shall be separately insured up to \$100,000 in the aggregate for all such accounts regardless of whether they are share draft, share certificate or regular share accounts.

(c) * * * Where an officer, agent or employee of a public unit has custody of certain funds which by law or under a bond indenture are required to be set aside to discharge a debt owed to the holders of notes or bonds issued by the public unit, any investment of such funds in an account in a federally-insured credit union will be deemed to be a share account established by a trustee of trust

funds of which the noteholders or bondholders are pro rata beneficiaries, and the beneficial interest of each noteholder or bondholder in the share account will be separately insured up to \$100,000.

* * * * *

7. The introduction to the Appendix to part 745 is amended by revising the heading to read as follows:

**APPENDIX TO PART 745-EXAMPLES OF INSURANCE COVERAGE
AFFORDED ACCOUNTS IN CREDIT UNIONS INSURED BY THE NATIONAL
CREDIT UNION SHARE INSURANCE FUND**

WHAT IS THE PURPOSE OF THIS APPENDIX?

* * * * *

8. Part A of the Appendix to part 745 is amended by revising the heading of Part A to read as follows:

A. HOW ARE SINGLE OWNERSHIP ACCOUNTS INSURED?

* * * * *

9. Part B of the Appendix to part 745 is amended by revising the heading of Part B and adding Example 4 to read as follows:

B. HOW ARE REVOCABLE TRUST ACCOUNTS INSURED?

* * * * *

Example 4

Question: Member H invests \$200,000 in a revocable trust account held in connection with a living trust with his son, S, and his daughter, D, as named beneficiaries. What is the insurance coverage?

Answer: Since S and D are children of H, the owner of the account, the funds would normally be insured under the rules governing revocable trust accounts up to \$100,000 as to each beneficiary (§745.4(b)). However, because this account is held in connection with a living trust whose named beneficiaries are qualifying beneficiaries under §745.4, it must be scrutinized to determine whether the

account complies with all other provisions of this part and whether the living trust contains any defeating contingencies. Assuming there are no defeating contingencies and that the account complies with all other requirements of this part, then it will be treated as any other revocable trust. In this instance, it will be insured up to \$100,000 as to each beneficiary (§745.4(e)). Assuming that S and D have equal beneficial interests (\$100,000 each), H is fully insured for this account.

10. Part C of the Appendix to part 745 is amended by revising the heading of Part C to read as follows:

**C. HOW ARE ACCOUNTS HELD BY EXECUTORS OR ADMINISTRATORS
INSURED?**

* * * * *

11. Part D of the Appendix to part 745 is amended by revising the heading of Part D to read as follows:

**D. HOW ARE ACCOUNTS HELD BY A CORPORATION, PARTNERSHIP OR
UNINCORPORATED ASSOCIATION INSURED?**

* * * * *

12. Part E of the Appendix to part 745 is amended by revising the heading of Part E, the first introductory paragraph and Examples 4-7 and adding new Example 9 to read as follows:

E. HOW ARE PUBLIC UNIT ACCOUNTS INSURED?

For insurance purposes, the official custodian of funds belonging to a public unit, rather than the public unit itself, is insured as the account holder. All funds belonging to a public unit and invested by the same custodian in a federally-insured credit union are categorized as either share draft accounts or share certificate and regular share accounts. If these accounts are invested in a federally-insured credit union located in the jurisdiction from which the official custodian derives his authority, then the share draft accounts will be insured separately from the share certificate and regular share accounts. Under this circumstance, all share draft accounts are added together and insured to the \$100,000 maximum and all share certificate and regular share accounts are also added together and separately insured up to the \$100,000 maximum. If, however, these accounts are invested in a federally-insured credit union located

outside of the jurisdiction from which the official custodian derives his authority, then insurance coverage is limited to \$100,000 for all accounts regardless of whether they are share draft, share certificate or regular share accounts. If there is more than one official custodian for the same public unit, the funds invested by each custodian are separately insured. If the same person is custodian of funds for more than one public unit, he is separately insured with respect to the funds of each unit held by him in properly designated accounts. * * *

* * * * *

Example 4

Question: A city treasurer invests city funds in each of the following accounts: "General Operating Account," "School Transportation Fund," "Local Maintenance Fund," and "Payroll Fund." Each account is available to the custodian upon demand. By administrative direction, the city treasurer has allocated the funds for the use of and control by separate departments of the city. What is the insurance coverage?

Answer: All of the accounts are added together and insured in the aggregate to \$100,000. Because the allocation of the city's funds is not by statute or

ordinance for the specific use of and control by separate departments of the city, separate insurance coverage to the maximum of \$100,000 is not afforded to each account (§§745.1(d) and 745.10(a)(2)).

Example 5

Question: A, the custodian of retirement funds of a military exchange, invests \$1,000,000 in an account in an insured credit union. The military exchange, a non-appropriated fund instrumentally of the United States, is deemed to be a public unit. The employees of the exchange are the beneficiaries of the retirement funds but are not members of the credit union. What is the insurance coverage?

Answer: Because A invested the funds on behalf of a public unit, in his capacity as custodian, those funds qualify for \$100,000 share insurance even though A and the public unit are not within the credit union's field of membership. Since the beneficiaries are neither public units nor members of the credit union they are not entitled to separate share insurance. Therefore, \$900,000 is uninsured (§745.10(a)(1)).

Example 6

Question: A is the custodian of the County's employee retirement funds. He deposits \$1,000,000 in retirement funds in an account in an insured credit union. The "beneficiaries" of the retirement fund are not themselves public units nor are they within the credit union's field of membership. What is the insurance coverage?

Answer: Because A invested the funds on behalf of a public unit, in his capacity as custodian, those funds qualify for \$100,000 share insurance even though A and the public unit are not within the credit union's field of membership. Since the beneficiaries are neither public units nor members of the credit union they are not entitled to separate share insurance. Therefore, \$900,000 is uninsured (§745.10(a)(2)).

Example 7

Question: A county treasurer establishes the following share draft accounts in an insured credit union each with \$100,000:

"General Operating Fund"

"County Roads Department Fund"

"County Water District Fund"

"County Public Improvement District Fund"

"County Emergency Fund"

What is the insurance coverage?

Answer: The "County Roads Department," "County Water District" and "County Public Improvement District" accounts would each be separately insured to \$100,000 if the funds in each such account have been allocated by law for the exclusive use of a separate county department or subdivision expressly authorized by State statute. Funds in the "General Operating" and "Emergency Fund" accounts would be added together and insured in the aggregate to \$100,000, if such funds are for countywide use and not for the exclusive use of any subdivision or principal department of the county, expressly authorized by State statute (§§745.1(d) and 745.10(a)(2)).

* * * * *

Example 9

Question: A, an official custodian of funds of a state of the United States, lawfully invests \$250,000 of state funds in a federally-insured credit union located in the

state from which he derives his authority as an official custodian. What is the insurance coverage?

Answer: If A invested the entire \$250,000 in a share draft account, then \$100,000 would be insured and \$150,000 would be uninsured. If A invested \$125,000 in share draft accounts and another \$125,000 in share certificate and regular share accounts, then A would be insured for \$100,000 for the share draft accounts and \$100,000 for the share certificate and regular share accounts leaving \$50,000 uninsured (§745.10(a)(2)). If A had invested the \$250,000 in a federally-insured credit union located outside the state from which he derives his authority as an official custodian, then \$100,000 would be insured for all accounts regardless of whether they were share draft, share certificate or regular share accounts, leaving \$150,000 uninsured (§745.10(b)).

13. Part F of the Appendix to part 745 is amended by revising the heading of Part F to read as follows:

F. HOW ARE JOINT ACCOUNTS INSURED?

* * * * *

14. Part G of the Appendix to part 745 is amended by revising the heading of Part G and the seventh introductory paragraph to read as follows:

**G. HOW ARE TRUST ACCOUNTS AND RETIREMENT ACCOUNTS
INSURED?**

* * * Although credit unions may serve as trustees or custodians for self-directed IRA, Roth IRA and Keogh accounts, once the funds in those accounts are taken out of the credit union, they are no longer insured.

* * * * *